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THE IMPACT OF CUBAN SUGAR ON THE SINO-SOVIET BLOC

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THE IMPACT OF CUBAN SUGAR ON THE SINO-SOVIET BLOC

There is no indication to date that the delivery of 10.7 million metric tons (mt) of Cuban raw sugar* to the Sino-Soviet Bloc** during the period 1960-62 has had any profound impact on the Bloc's ambitious long-term plans for expansion of its domestic production and its per capita consumption of refined sugar. Certainly these imports have prompted a number of adjustments, including an increase in Soviet stocks of sugar (a move involving storage problems and some spoilage), the allocation of some domestically produced sugar beets for use as livestock feed, increased sales by the European Satellites of sugar in markets of the Free World (occasionally at a loss), and the reallocation by Communist China of certain areas formerly devoted to sugar beets and sugarcane to the sowing of food grains in an attempt to alleviate serious internal food shortages. For the most part, however, these adjustments have not been large and have been accomplished reasonably effectively, although not without some cost.

It is estimated that in 1963 the Bloc will import about 65 percent of Cuba's total exports of sugar compared with nearly 75 percent in both 1961 and 1962. These imports, which may total about 2.6 million mt, will fall well below the level of 4.9 million mt agreed on for 1963. This reduction is expected to arise (1) from the smaller supplies of raw sugar that are likely to be available for export from Cuba in 1963 (only about 4.1 million mt compared with 6.4 million mt in 1961 and 5.1 million mt estimated for 1962) and (2) from Cuba's possible insistence on maintaining exports to the Free World at the 1961-62 average annual level of 1.5 million mt or at a higher level.

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* Raw sugar is sugar that has not been fully refined to remove the impurities. Although edible, it generally is not consumed in the raw state (100 parts of raw sugar will yield about 92 parts of refined sugar).

** Including the USSR, Communist China, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

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Present world market prices for sugar are above the agreed Cuban-Bloc price of 4 cents per pound, and Cuba's stringent foreign exchange position may cause it either to attempt to negotiate an increase in comparison with this agreed price or to increase its exports to the Free World above the level of the 1.5 million mt. Soviet sugar stocks are at a very high level, however, and the USSR probably would accept (perhaps gratefully) any proposed reduction in Cuban allotments of sugar to the Bloc for 1963.

I. Trends in Production of Sugar in the Sino-Soviet Bloc

The total production of sugar in the Sino-Soviet Bloc from domestically produced sugar beets and sugarcane has been trending upward since the mid-fifties. Preliminary estimates indicate that production of sugar in the Bloc in 1962 will total about 10.9 million mt, only 3 percent below the record output of 1961. The average output of raw sugar increased by 22 percent between the periods 1956-58 and 1959-61, as shown in Table 1. The USSR and the European Satellites have increased production, but Communist China's output of sugar has dropped sharply since 1959, falling to a 10-year low in 1962.

Supporting the increased output of sugar in the USSR and in the Satellites has been the rapid increase in the area devoted to sugar beets during the past 5 years. Between 1957 and 1962, areas planted to sugar beets for sugar processing in the USSR increased by more than 1 million hectares, or about 50 percent, and in the Satellites by about 22 percent. This rapid expansion reflects in the USSR, and to a lesser extent in the Satellites, the continuation of long-term trends and efforts to achieve the ambitious plans for production of sugar for 1965. In the USSR, with no upward tendency in yields of sugar beets in recent years, the increase in production of beets has been obtained by expanding the planted area. The Satellites, except for Czechoslovakia and East Germany, have been able to expand production of sugar beets by increasing both the area and the yield.

Unlike the rest of the Bloc, Communist China is believed to have reduced sharply the acreage devoted to sugar-producing crops (sugar beets and sugarcane) between 1959 and 1962. 1/ This action reflected

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

China's efforts to increase the sown area of grains in an attempt to mitigate its serious food shortages. The drop in acreage accompanied by lower yields resulted in substantially smaller production of sugar beets and sugarcane, so that output of sugar was reduced sharply.

The USSR and the European Satellites each have announced goals for production of sugar for 1965. Achievement of these goals would provide for an increase in comparison with 1959-60 in both per capita consumption and exports of sugar. Although these production goals were established before the long-term (1962-65) trade agreements with Cuba calling for large imports of sugar, especially by the USSR, there is no evidence that the goals for production of sugar beets have been lowered. In fact, the USSR has set at a record level the goal for 1963 of state procurement of sugar beets for processing. 2/ Communist China has not announced plans for production of sugar beets, sugarcane, or sugar in 1965.

II. Foreign Trade Developments

Between January 1960 and September 1962, Cuba reported shipments of about 10.7 million mt of sugar to the Bloc, representing 63 percent of its total exports. The largest Bloc importers were the USSR (65 percent), followed by Communist China, Poland, East Germany, and Czechoslovakia, as shown in Table 2. Beginning in 1962, the Bloc had agreed to import annually through 1965 almost 4.9 million mt of Cuban raw sugar. This amount was to be distributed in millions of metric tons, as follows: USSR, 3.0; Communist China, 1.2; European Satellites, 0.56; and North Korea, 0.10. 3/ Faced with a relatively poor sugar crop in 1962, however, Cuba reduced the 1962 allotment to the Bloc -- mostly to the USSR -- by 500,000 mt. Although actual exports to the Bloc are estimated to have totaled only 3.7 million mt in 1962, about 500,000 mt of the 4.8 million mt imported by the Bloc in 1961 are estimated to have been on 1962 accounts. Therefore, Cuba came close to fulfilling the revised sugar commitments with the Bloc for 1962.

Cuban exports of sugar to the Bloc in 1963 probably will be below exports in 1962 by 1 million mt or more. The Cuban sugar crop for

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

1963 is estimated at about 4.5 million mt. This low level of production, combined with little or no carryover stocks and an allowance for domestic requirements, leaves only about 4.1 million mt of raw sugar available for export in 1963 compared with exports of 6.4 million mt for 1961 and 5.1 million mt estimated for 1962. If Cuba should insist on maintaining exports to the Free World in 1963 at the average annual level for 1961-62 of about 1.5 million mt, the maximum sugar available for export to the Bloc would be about 2.6 million mt. Reductions in imports of Cuban sugar by the Bloc probably would be absorbed largely by the USSR.

The Bloc's new position as the principal market for Cuban sugar has created some problems for the USSR and for Poland and Czechoslovakia, both of which normally produce surpluses of sugar. In the USSR the large imports during 1961-62 created storage problems and resulted in some spoilage. Lacking adequate storage capacity at the sugar refineries, the USSR Ministry of Trade has shipped sugar somewhat indiscriminately to Soviet cities without adequate regard for local requirements or storage facilities. 4/ It is estimated that Soviet stocks of sugar at the end of 1962 totaled 4.7 million to 5.0 million mt, equal to about 60 percent of annual consumption requirements.

Poland and Czechoslovakia seem to have experienced the most difficulty in using imports of Cuban sugar. Because per capita consumption was already at a relatively high level in these countries, the Cuban sugar only added to surpluses for export. Efforts to sell this sugar reportedly resulted in price cutting among the Satellites in 1961-62 in order to acquire markets. Although Poland was successful in marketing the largest amount of sugar in several years in 1961-62, it complained of losing money on the Cuban sugar reexports. Nevertheless, by the end of 1962, Polish stocks of sugar, although below stocks of 1961, were above normal.

The USSR and the Satellites have been expanding their exports of sugar to the Free World during the past few years, as indicated in Table 3. Bloc exports of sugar to other countries in 1961 -- the latest year for which complete data are available -- totaled more than 2.1 million mt compared with 1.1 million mt in 1959. 5/ Bloc exports of sugar,

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Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

especially by Poland, have been increased to Near Eastern and African countries as well as to the UK.

Communist China, traditionally a net importer of sugar, has easily consumed its imports of Cuban sugar. The high caloric and quick energy values of sugar can usefully augment the skimpy Chinese diet. The bartering of rice as part payment for the Cuban sugar in the face of domestic grain shortages, however, seems to confirm the suspicion of political motives behind the Chinese trade relations with Cuba.

III. Per Capita Availability and Consumption of Sugar

1. USSR

Per capita consumption of sugar in the USSR has shown a significant increase since 1958, reaching an estimated level of 33 kilograms by 1962, which compares favorably with consumption in other economically developed countries in the world. The increase in Soviet per capita consumption reflects rising incomes along with increased availabilities of sugar. Per capita availability of sugar has increased much faster than per capita consumption, and, as a result, stocks of sugar (raw value) have increased to an estimated level of 4.7 million to 5.0 million mt.

Consumption has been restricted by the relatively high retail price of sugar. In spite of the large imports of Cuban sugar and of mounting stocks of sugar at both the wholesale and the retail level, the Soviet government reduced the price of sugar by only 5 percent to an estimated price (in equivalent US terms) of about 35 cents per pound, as of June 1962 (the US price was then 11.6 cents). 6/ The Soviet price policy suggests that the government prefers to hold consumption in line with or near to the growth of domestic production of sugar so as not to become dependent on foreign sources. Also, the accumulation of large stocks of sugar provides the USSR with greater flexibility in diverting the use of sugar beets from sugar to livestock feed during the next few years.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

The plan for 1965 calls for Soviet per capita consumption of sugar to rise to about 41 kilograms, as shown in Table 4. There is no reason to believe that an all-out effort will be made to achieve such a high level of consumption, but some increase can be expected. Thus as long as it is politically advantageous to take Cuban sugar, the USSR probably will use it to increase consumption, and will adjust the quantity of sugar beets processed for refined sugar, using a larger share of production of its beets for livestock feed. By continuing to expand production of beets and by increasing its capacity for processing beets, the Soviet sugar industry maintains a capacity to readjust with little strain if imports of Cuban sugar are curtailed. 7/

2. European Satellites

Imports of Cuban sugar by the European Satellites have had little effect on per capita consumption. Although consumption has been gradually trending up, as shown in Table 4, the rise has resulted from the increased availability of sugar from domestic production. In the major sugar-producing Satellites -- Poland, East Germany, and Czechoslovakia -- per capita consumption in 1958 was relatively high (28.5 to 34.9 kilograms) and therefore has shown a much slower rate of growth than in the USSR during the period 1959-62. These Satellites, traditionally exporters of sugar, have been rather successful in finding markets for Cuban sugar. East Germany, because of a shortfall in the 1961 sugar beet harvest, probably used part of the imported Cuban sugar to maintain per capita consumption levels in 1962.

There is no formal rationing of sugar in any of the Satellites. During the Berlin crisis (1961) and the Cuban crisis, scare buying of food staples caused the various Satellite governments to restrict the amount of sugar that an individual could purchase at any one time. This measure probably was taken to keep from overburdening the inefficient distribution and transportation systems rather than because the stocks of sugar were low. The relatively high price of sugar in Rumania and Bulgaria keeps consumption in line with availability.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

3. Communist China

The per capita availability of sugar in Communist China is the lowest in the Bloc. Even though availability in 1961 was roughly double that in 1959, as shown in Table 4, it is estimated to have amounted only to 2.7 kilograms per person. This increase in per capita availability in 1961 in comparison with 1959 was a direct result of the importation of Cuban sugar. Severe shortages of food in China, as well as the annual rate of increase in population, make it possible for China to absorb large quantities of imported sugar. Most staple foods, including sugar, have been rationed by coupon in China for several years. Until domestic production of sugar significantly increases, China probably will remain a net importer of sugar. China's agreement with Cuba to import 1 million mt of sugar annually during 1962-65, if fulfilled, would help to maintain the 1962 levels of per capita availability.

IV. Prospects for 1963

The total availability of sugar in the Bloc during 1963 will fall below the levels of 1961-62 for two reasons. First, Bloc production of sugar in 1962 -- most of which is available the following year -- was below that in 1960 and 1961. The largest shortfall in production was registered by the European Satellites. Second, a sharp reduction can be expected in the level of imports of sugar from Cuba during 1963. On the basis of preliminary estimates, the 1963 Cuban sugar crop will be only about 4.5 million mt. There will be no significant carryover stocks from 1962, and allowance must be made for domestic consumption requirements of 0.4 million mt and for exports to Free World countries of 1.5 million mt. On the basis of the foregoing, it is estimated that exports to the Bloc may not exceed 2.6 million mt. Because the price of sugar on the world market now substantially exceeds the 4 cents per pound paid by the Bloc, 8/ Cuba may attempt to negotiate for a higher price from the Bloc or may try to maintain or increase exports to Free World countries at the expense of exports to the Bloc.

The USSR probably would be the Bloc country to absorb most of any cutback in Cuban exports. A very drastic cut in imports of Cuban

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

sugar in 1963 probably would have no effect on the availability of sugar to the Soviet consumer. The major effect would be to increase the Cuban indebtedness to the USSR. Soviet stocks of sugar as of the end of 1962 were more than sufficient to meet consumption requirements in 1963. Because of large stocks and the favorable world market price for sugar, the USSR may try to increase its exports in 1963 in comparison with previous years.

The Satellites may be smaller exporters of sugar in 1963 than during 1962 because of smaller domestic harvests and reduced availability of Cuban sugar for reexport. Rumania and possibly Bulgaria may have difficulty in meeting trade commitments in 1963 if per capita consumption of sugar is not sacrificed. The need to increase foreign exchange earnings will create pressures to expand exports of sugar by Poland and Czechoslovakia. Therefore, these two Satellites, disenchanted with economic returns from their aid to Cuba, may strongly resist any proposed cutback in Cuban allotments of sugar.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Table 1

Sino-Soviet Bloc Production of Centrifugal Sugar a/
1956-62 and 1965 Plan

Thousand Metric Tons, Raw Value

Country	Average 1956-58	Average 1959-61	1961	Preliminary 1962	Plan 1965
USSR	4,928	6,291	6,630	6,522	10,400 b/
Communist China	857	773 c/	550 c/	510 c/	N.A.
European Satellites	3,202	3,910	4,095	3,873	5,147
Bulgaria	135	174	198	180 d/	276
Czechoslovakia	811	884	910 d/	880 d/	1,200
East Germany	715	690	539 d/	685 d/	1,110
Hungary	291	420	383 d/	433 d/	461
Poland	1,061	1,371	1,639	1,410 e/	1,630
Rumania	189	371	426	285 d/	470
Total	8,987	10,974	11,275	10,905	N.A.

a. Commercially produced sugar based on domestic production of sugar beets or sugarcane. The data are official unless otherwise indicated.
b. Midpoint of the planned range of 9.25 million to 10.0 million tons of refined sugar.
c. 9/
d. 10/
e. 11/

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Table 2

Imports of Cuban Sugar by the Sino-Soviet Bloc a/
1956 - September 1962

Thousand Metric Tons, Raw Value

Country	1956 b/	1957 b/	1958 b/	1959 b/	1960 b/	1961 c/	Jan-Sep 1962 c/
USSR	212.6	358.2	187.7	273.8	1,577.7	3,302.9	2,080.8
Communist China	0	0	50.1	0	476.5	1,032.1	937.8
Bulgaria	0	0	0	0	0	57.3	117.8
Czechoslovakia	5.2	0	0	0	0	25.3	155.7
East Germany	23.1	6.9	0	0	61.9	111.9	180.0
Hungary	19.3	0	11.2	0	0	0	0
Poland	0	0	0	0	144.0	261.9	151.3
Rumania	0	0	0	0	0	0 d/	0 d/
Total	260.2	365.1	249.0	273.8	2,260.1	4,791.1	3,623.4

a. Based on Cuban data.
b. 12/
c. 13/
d. Although Cuba has not reported any exports to Rumania, it is believed that Rumania has imported Cuban sugar both in 1961 and 1962.

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Table 3

Sino-Soviet Bloc Trade in Sugar a/
1956-62

Thousand Metric Tons, Raw Value

Country	1956	1957	1958	1959	1960	1961	1962 (Jan-Sep)
Exports							
USSR	180	214	218	214	262	951	467
Communist China	1	6	114	30	14 b/	70	78
Bulgaria	2	12	23	15	39	85	14
Czechoslovakia	155	219	414	393	343	435	373
East Germany	81	55	182	329	128	377	51
Hungary	22	5	2	61	117	119	8
Poland	67	109 c/	279	306	337	700	509
Rumania	0	0	0	0	84 d/	160	46
Total	508	620	1,232	1,348	1,324	2,897	1,546
Of which to other countries	341	487	988	1,126	1,064	2,134	N.A.
Imports							
USSR	342	639	394	335	1,717	3,597	2,257
Communist China	106	68	220	50	476	1,533	938
Bulgaria	0	0	0	0	0	57	118
Czechoslovakia	0	0	0	2	22	25	156
East Germany	0	7	0	0	62	112	179
Hungary	34	27	26	2	0	2	2
Poland	0	0	0	0	174	262	151
Rumania	0	0	43	31	0	33	N.A.
Total	482	741	683	420	2,451	5,621	3,801
Of which from Cuba	260	365	249	274	2,260	4,791	3,623 e/

a. 14/ unless otherwise indicated.
b. 15/
c. Based on source 16/.
d. 17/
e. 18/

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Approved For Release 2000/06/07 : CIA-RDP79T01003A001500230003-7

Table 4

Average Annual Per Capita Consumption of Sugar in the Sino-Soviet Bloc
1956-62 and Plan for 1965

Kilograms, Refined Value

Country	1956	1957	1958	1959	1960	1961	Preliminary 1962 a/	Plan 1965
USSR a/	21.2	21.1	19.9 b/	26.0	28.2	32.5	33.0	41.4 c/
Communist China a/	1.3	1.4	1.3	1.3	1.7	2.7	1.9	N.A.
Bulgaria a/	14.0	15.2	19.2	16.5	21.7	20.0	19.5	29.2
Czechoslovakia d/	34.3	34.1	34.9	34.6	36.3	38.2	38.0	39.2
East Germany d/	28.8	29.8	30.1	29.9	30.3	31.8	31.0	N.A.
Hungary d/	25.2	25.2	24.8	25.8	26.6	27.0 a/	27.0	31.0
Poland d/	25.2	26.5	28.5	29.6	27.9	30.6	31.0	35.0
Rumania a/	9.5	10.3	12.5	14.8	16.9	16.4	16.0	25.2 c/

a. Estimates.
b. This amount appears to be low but results from the large increase in stocks reported by the USSR for 1958. 19/
c. Per capita availability; net trade is equal to 0.
d. Official data.

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